UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
P.O. Box 2415
Washington, DC 20013-2415

Notice FC-86

1980-B

For: State and County Offices

Farm Credit Programs Guaranteed Writedown Worksheet

Approved by: Deputy Administrator, Farm Credit Programs

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1 Overview

A Background

This notice replaces Notice FC-9 which expired on November 1, 1996.

B Purpose

This notice provides additional guidance on completing writedowns under FmHA Instruction 1980-B, Section 1980.125.

C Contact

Direct questions about this notice to the LSD, Guaranteed Servicing Branch, through the Area Office.

Disposal Date	**Distribution**
December 1, 1997	State Offices; State Offices relay to County Offices and Ag Credit Teams

2 Action

A
State Office and Ag Credit Team

Use FSA-1980-88 to document the decision to write down the guaranteed loan and pay the required loss claim.

Complete FSA-1980-88 before consenting to a writedown. File the completed form in position 3 of the County Office case file.

B
Calculating Present Value for Guaranteed Writedowns

Present value is the present worth of the future payments discounted to the current date. Calculate present value for writedowns of guaranteed loans according to the following table.

Step	Action
1	Calculate the balance available to service the guaranteed loan by subtracting all other debt payments, regardless of lien priority, from the "Balance Available for Term Debt Repayment" on the lender's case flow projection.
2	Determine the loan amortization factor based on the proposed term and the interest rate of the restructured loan after writedown.
3	Divide the balance available by the amortization factor. **Example:** Balance Available - \$10,000 Term - 15 annual payments Rate of Interest - 10 percent fixed Amortization Factor - .1315 Present Value - \$10,000/.1315 = \$76,045.63
4	If the lender's cash flow projects that the balance available will definitely change during the loan repayment schedule, the present value should be calculated with an uneven payment stream.

Continued on the next page

2 Action (Continued)

C
Calculation Example

Situation: The borrower's cash flow projects that there will be an initial balance available of $7,000. After 3 years, the balance available will increase to $10,000. The loan will be rescheduled for 15 years at a 10 percent fixed annual rate of interest. The present value is calculated through the following steps.

Step	Action
1	Calculate the present value of the new balance available for the guaranteed loan for the new term of the loan. $10,000/.1315 = $76,045.63. See subparagraph B.
2	Divide the initial balance available by the amortization factor for the period this amount is available. Balance Available - $7,000 Amortization Factor for 3 years at 10 percent - .4021 Present Value - $7,000/.4012 = $17,447.66
3	Add the 2 values from steps 1 and 2. $76,045.63 + $17,447.66 = $93,493.29
4	Divide the new balance available by the same amortization factor used in step 2. $10,000/.4021 = $24,869.44
5	Subtract the value in step 4 from the value in step 3. This will be the present value of uneven payments. $93,493.29 - $24,869.44 = $68,623.85

D
Writedown of Multiple Loans

When 2 or more guaranteed loans are written down, cross-collateralize security, and write down or write off the loan with the shortest repayment term first.